



CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

October 25, 2002

S. 1806

Pharmacy Education Aid Act of 2002

As passed by the Senate on October 3, 2002

SUMMARY

S. 1806 would establish two pharmacy education programs within the Health Services and Research Administration (HRSA). The act would make available loan repayment funds for pharmacists possessing bachelor or doctorate degrees who agree to work in an area where there is a shortage of pharmacists for two years or more. S. 1806 also would provide grants to pharmacy schools to offer loans to students interested in becoming a member of the faculty of a pharmacy school. Students who become faculty members would have up to 85 percent of their loans forgiven. The act would authorize such sums as necessary for these activities from 2003 through 2007.

Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 1806 would cost \$2 million in 2003 and \$66 million over the 2003-2007 period. (Those amounts reflect adjustments for anticipated inflation.)

By providing assistance to certain pharmacists, S. 1806 would effectively extend provisions under section 224 of the Public Health Service Act to those pharmacists who choose to work in health centers that receive funding under section 330 of that act. That section authorizes settlements and awards for tort claims to be paid out of the Treasury's Judgment Fund. Those payments are considered direct spending, regardless of whether the health program involved is an entitlement program or subject to appropriation. CBO estimates that additional payments under S. 1806 would be less than \$500,000 over the 2003-2007 period.

S. 1806 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Public universities and medical schools offering pharmacy degrees may incur some administrative costs if they choose to participate in the loan program for students. However, those costs would result from their voluntary participation in the federal program.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1806 is shown in the following table. The costs of this legislation fall within budget functions 550 (health) and 800 (general government).

	By Fiscal Year, in Millions of Dollars				
	2003	2004	2005	2006	2007
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a					
Estimated Authorization Level ^b	4	10	17	23	28
Estimated Outlays	2	6	14	20	24

a. Enacting S. 1806 also would increase direct spending, but the estimated cost would be less than \$500,000 over the 2003-2007 period.

b. The estimated authorization levels include adjustments for anticipated inflation.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1806 will be enacted by the end of calendar year 2002 and that the necessary amounts to implement the act will be appropriated for each year.

CBO estimates that implementing S. 1806 would require new discretionary spending of about \$66 million over the next five years. Enacting the legislation also could increase direct spending, but any such effects would not be significant.

Spending Subject to Appropriation

S. 1806 would establish a loan repayment program for individuals with a pharmacy degree who agree to work in areas with a severe pharmacist shortage for a minimum of two years. The program would reimburse up to \$35,000 per year for loans covering tuition and living expenses, and would cover the tax liability associated with the receipt of loan repayments.

Based on information from HRSA and the Association of American Colleges of Pharmacy, CBO assumes that about 50 graduates would participate in 2003, rising to about 250 graduates by 2007.

CBO estimates that annual loan repayments, including payments for tax liability, would average about \$30,000 per participant in 2003, and that participants would receive this aid for two to three years.

The act would allow HRSA to recover loan amounts for individuals who fail to complete two years of service in an area in the shortage of pharmacists. CBO assumes that the percentage of pharmacists who fail to complete two years of service would be between 5 percent and 15 percent, which is similar to the experience of the National Health Service Corps program.

CBO estimates the cost of implementing the loan repayment program would be less than \$2 million in 2003 and \$48 million over the 2003-2007 period, assuming the appropriation of the necessary amounts.

The act also would establish a loan forgiveness program for pharmacy students who become a member of the faculty of a pharmacy school. The act would allow HRSA to provide grants to schools of pharmacy which, in turn, would provide loans to students studying to become a faculty member of a pharmacy school. The act would limit the amount of such loans to \$30,000 in 2003, but the limit would be adjusted each year to reflect inflation. The act would direct the schools to forgive 20 percent of the loans in each of the first three years and 25 percent in the fourth year of employment of the loan borrower, and would require HRSA to reimburse schools for canceled loans.

CBO assumes that about 20 faculty loans would be provided in 2003, and that 50 faculty loans would be provided by 2007. We further assume that participants would receive loans for four years on average. CBO also assumes that around half of loans would not be canceled in whole or in part. CBO estimates that implementing this provision would cost less than \$500,000 in 2003 and \$18 million over the 2003-2007 period, assuming the appropriation of the necessary amounts.

Direct Spending

Under current law, settlements and tort claims arising from the actions of licensed health care providers in federally funded health centers are paid from the Treasury's Judgment Fund. The act would expand that coverage to include tort claims arising from the actions of licensed pharmacists participating in the new loan repayment program. Based on past experience with spending from the Judgment Fund for providers covered under section 224 and assumptions about the number of pharmacists who would work in these centers, CBO estimates the cost of this provision would be less than \$500,000 during the 2003-2007 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1806 contains no intergovernmental or private-sector mandates as defined in UMRA. Public universities and medical schools offering pharmacy degrees may incur some administrative costs if they choose to participate in the loan program for students. However, those costs would result from their voluntary participation in the federal program.

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